

# MIDDLESBROUGH COUNCIL

## EXECUTIVE SUB-COMMITTEE FOR PROPERTY

**PREMISES AT SIMPSON STREET/STONEHOUSE STREET, LINTHORPE, MIDDLESBROUGH – PROPOSED FREEHOLD SALE**

**Deputy Mayor and Executive Member for Regeneration: Councillor Charlie Rooney**

**Executive Director of Commercial and Corporate Services: Tony Parkinson**

**Date: 18<sup>th</sup> November 2015**

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### **PURPOSE OF THE REPORT**

1. The purpose of the report is to report the receipt of a several offers to purchase the Council's freehold interest in five properties at Simpson Street/Stonehouse Street and to seek approval to the marketing of the premises for sale in accordance with the recommendations in the report.

### **SUMMARY OF RECOMMENDATIONS**

2. To decline the offers which have been submitted to date in respect of the properties concerned.
3. That Officers commence marketing the Council's freehold interest in the subject properties and invite any interested parties, including those who have made the offers set out in this report, to submit their informal offers by a specified closing date.

### **IF THIS IS A KEY DECISION WHICH KEY DECISION TEST APPLIES?**

4. It is over the financial threshold (£150,000)   
It has a significant impact on 2 or more wards   
Non Key

### **DECISION IMPLEMENTATION DEADLINE**

5. For the purposes of the scrutiny call in procedure this report is  
Non-urgent   
Urgent report

### **BACKGROUND**

6. The Council owns the properties marked A, B, C, D and E on plan VAL 4059N

(attached). Properties A, B, C and E are a mix of vacant buildings and cleared sites.

7. Property D is being used by several parties without the Council's consent. One party claims to have a legal interest in the property but the Council disputes that claim. The Council has not received any rent for this property since June 2010.
8. Officers have offered the party concerned a new lease of property D at a rent which is consistent with an independent valuation report which was jointly commissioned in 2011. The other party has not entered into the lease as he preferred to progress his proposed purchase of the Council's premises.
9. The potential sale and proposed redevelopment of the subject properties has been the subject of lengthy discussions between the Council and the owner of the property shown by hatching on plan VAL 4059N (the former Kwik-Fit depot).
10. Executive Property Panel on 24 June 2011 authorised such private treaty negotiations in respect of sites A and D as it was considered that a combination of interests would be more likely to result in a better development and enhanced values. If terms could not be agreed, an independent valuation would be obtained. The sale was to be subject to development commitments and repurchase provisions if there was no progress.
11. Following very protracted discussions, the proposed buyer confirmed that his best and final offer to buy properties A, B, C, D and E is £300,000 plus fees. He is unwilling to give the Council a repurchase option nor any commitment regarding redevelopment.
12. Officers consider the value of the properties to be significantly higher and cannot recommend the sale of the properties for such a sum.
13. In September 2015, the Council commissioned an independent valuation from Thomas Stevenson, Chartered Surveyors. The report concludes that, if offered for sale on the open market, a guide price of £370,000 would be appropriate.
14. Officers have recently received unsolicited offers of £120,000 for the properties marked C and D and £70,000 for the properties marked A and B from two other parties. Several other local business people have also expressed interest if any of the properties are marketed for sale.
15. If required to facilitate a better development, the sale could include the Council's interest in the road between Simpson Street and Stonehouse Street. This could be conditional upon the provision of vehicle turning space and the retention of access to any remaining businesses on this road, but not necessarily as a through route.
16. The sale of the road could increase the capital receipt to the Council and would remove the Council's maintenance obligations.

## **IMPACT ASSESSMENT (IA)**

17. An impact assessment is not required in this case as no service is being delivered from the premises and the proposed transaction relates only to a technical property matter to dispose of surplus assets.

## OPTION APPRAISAL/RISK ASSESSMENT

### 18. Option 1:

- i. Accept the offer of £300,000 plus fees;
- ii. This cannot be recommended for approval as it is significantly below the independent valuation of the properties concerned and offers have been received from other parties.

### 19. Option 2:

- i. Accept both, or either, of the unsolicited offers, or enter into private treaty negotiations to sell the properties to the parties referred to in paragraph 15;
- ii. This cannot be recommended for approval as the offers are below the independent valuation of the premises and other interest has been expressed.

### 20. Option 3:

- i. Decline to accept all of the offers reported above and commence marketing the Council's freehold interest in the subject properties;
- ii. An open market disposal is advisable in view of the interest expressed to date and the need to obtain best consideration on the sale of such surplus assets.

## FINANCIAL, LEGAL AND WARD IMPLICATIONS

21. **Financial** – Upon completion of the sale, the Council will receive a significant capital receipt and remove the holding costs of retaining the premises. The Council will incur the usual marketing costs involved in the disposal process. In accordance with the Council's Estate Strategy, the premises are held for the purpose of generating capital receipts. Consequently, offers will be invited and considered on a highest price basis.
22. **Ward Implications** – The properties are situated in the Park Ward.
23. The proposed sale of these properties should result in their re-use or redevelopment, bringing business and employment into the area. The properties would be marketed as being potentially suitable for retail or residential use and for Use Classes B1, B2 and B8, subject to planning permission. Other potential uses may be considered on their merits.
24. If any change of use is proposed, Members would be consulted on the buyers' proposals as part of the normal planning process.
25. **Legal Implications** – The Council could take legal action in respect of the unauthorised use of property D, but this would further delay the sale of the premises and could lead to a costly Court case. On balance, it is considered advisable to market the premises as they stand. The unsolicited offers received to date have been submitted in the knowledge of the unauthorised use of property D, so

hopefully this situation will not deter wider interest. If it does, the Council could reconsider taking legal action to recover possession.

## **RECOMMENDATIONS**

26. It is recommended that the Executive declines to accept all the offers which have been submitted to date in respect of the properties concerned.
27. It is recommended that Officers be instructed to market the Council's freehold interest in the subject properties and invite any interested parties, including those who have made the offers set out in this report, to submit their informal offers by a specified closing date.

## **REASONS**

28. The sale of the properties will result in the disposal of surplus premises in return for capital receipts to the Council and assist in the regeneration of the area.

## **BACKGROUND PAPERS**

**None**

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